



MONTHLY UPDATE

Dear Clients:

According to Warren Buffett, you should ***“look at market fluctuations as your friend rather than your enemy. Profit from folly rather than participate in it.”***

The Month of August in Brief

After remaining range-bound since February, stocks broke to new highs as investor optimism rose. Economic growth remained solid and earnings continued to rise. The U.S. continues to benefit from an increase in investment and growth due to better economic policies. Inflation remained contained and interest rates are still historically low.

Major Index Data

During the month of August, it was a positive one overall for both stocks representing the S&P 500 (SPY) and for stocks making up the Dow (DIA). Bonds making up the U.S aggregate index (AGG) were down slightly. The “SPY” and the “DIA” are both up year to date while the “AGG” is down year to date.

Index	Year 2018
AGG (Bonds)	- 2.30 %
DIA (Stocks)	4.9 %
SPY (Stocks)	7.9%

(Source: Bloomberg)¹

September Outlook

We don't expect the stock bull market to change in the near-term. We think fundamentals favor stocks for now over bonds and cash. We do think returns will likely be less going forward than what most investors expect. In our TrueWealth model portfolios we have been actively reducing international exposure as we see the need to focus more on domestic U.S. investments. We do believe a return to actively managing a portion of the portfolios will help us generate additional returns where we see opportunity. Historically, short term duration bonds perform best when the yield curve is inverted. The yield curve is getting close to being inverted. For diversification purposes we have been monitoring and making changes to fixed income positions (bond holdings) and prefer actively managed fixed income over passive as we been mentioning in our commentary for some time now. It is likely we will be continuing a more active strategy going forward.

We think risk, as usual, will continue to exist in the market this year and volatility is likely to increase. We will continue to monitor this. It is our philosophy not to chase performance which tends to increase risk. We choose to focus on proper asset allocation per any given level of risk tolerance. We recommend strategies such as using fixed and indexed annuities, and short-term bonds as ways to reduce risk and portfolio volatility for more conservative investors. We appreciate the opportunity to serve you. Our goal is building your wealth and controlling your risk!

Thanks,

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